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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-38670

Entasis Therapeutics Holdings Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**82-4592913**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

35 Gatehouse Drive
Waltham, MA 02451
(781) 810-0120
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class:	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.001 par value	ETTX	The Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2021, the registrant had 37,310,254 shares of common stock, $0.001 par value per share, outstanding.

ENTASIS THERAPEUTICS HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "predict," "project," "continue," "should," "will," "would" or the negative or plural of those terms, and similar expressions. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other "forward-looking" information.

Forward-looking statements include, but are not limited to, statements about:

- the severity and duration of the impact of the COVID-19 pandemic on our business, development programs and access to capital;
- our plans to develop and commercialize our product candidates;
- the timing of execution of planned clinical trials and availability of data from our clinical trials;
- our expectation that the efficacy and safety data from our ongoing and planned Phase 3 registration trials, if positive, will be sufficient to support submission of a new drug application, or NDA, to the Food and Drug Administration, or FDA;
- our ability to obtain grants or other government funding to develop our product candidates;
- our ability to take advantage of benefits offered by current and pending legislation related to the development of products addressing antimicrobial resistance;
- the timing of and our ability to file, obtain and maintain our planned regulatory filings;
- the clinical utility of our product candidates and their potential advantages compared to other treatments;
- our commercialization, marketing and distribution capabilities and strategy;
- our ability to establish and maintain arrangements for the manufacture of our product candidates;
- our ability to establish and maintain collaborations and to recognize the potential benefits of such collaborations;
- our estimates regarding the market opportunities for our product candidates;
- our intellectual property position and the duration of our patent rights;
- our estimates regarding anticipated operating losses, needs for additional funds and capital requirements;
- political, social and economic instability, natural disasters or public health epidemics in countries where we or our collaborators do business;
- the substantial influence and control that Innoviva, Inc. may exert on actions requiring stockholder vote; and
- our estimated needs for and ability to raise additional financing, and our ability to continue as a going concern.

Factors that may cause actual results to differ materially from current expectations include, among other things, those set forth in Part I, Item 1A, “Risk Factors,” in our most recent Annual Report on Form 10-K and those set forth in Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q. Any forward-looking statement in this Quarterly Report on Form 10-Q reflects our current view with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, industry and future growth. Given these uncertainties, you should not rely on these forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

In this Quarterly Report on Form 10-Q, unless otherwise stated or as the context otherwise requires, references to “Entasis,” “the Company,” “we,” “us,” “our” and similar references refer to Entasis Therapeutics Holdings Inc. and its wholly owned subsidiaries. The trademarks, trade names and service marks appearing in this Quarterly Report are the property of their respective owners.

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

ENTASIS THERAPEUTICS HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
UNAUDITED
(in thousands, except share and per share data)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 44,937	$ 53,247
Grants receivable	2,559	1,890
Prepaid expenses	2,711	4,160
Other current assets	1,338	835
Total current assets	51,545	60,132
Property and equipment, net	205	222
Operating lease right-of-use assets	1,012	1,141
Other assets	63	63
Total assets	$ 52,825	$ 61,558
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 434	$ 660
Accrued expenses and other current liabilities	7,599	7,905
Total current liabilities	8,033	8,565
Operating lease liabilities, net of current portion	535	704
Total liabilities	8,568	9,269
Commitments (Notes 4 and 10)		
Stockholders' equity:		
Common stock, par value $0.001; 125,000,000 shares authorized and 37,310,254 and 36,637,357 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	38	37
Additional paid-in capital	239,375	236,707
Accumulated deficit	(195,156)	(184,455)
Total stockholders' equity	44,257	52,289
Total liabilities and stockholders' equity	$ 52,825	$ 61,558

See accompanying notes to these unaudited consolidated financial statements.

ENTASIS THERAPEUTICS HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
UNAUDITED
(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2021	2020
Operating expenses:		
Research and development	$ 9,370	$ 11,623
General and administrative	3,307	3,780
Total operating expenses	12,677	15,403
Loss from operations	(12,677)	(15,403)
Other income:		
Grant income	1,972	13
Interest income	4	124
Total other income	1,976	137
Net loss	$ (10,701)	$ (15,266)
Net loss per share —basic and diluted	$ (0.29)	$ (1.15)
Weighted average common stock outstanding—basic and diluted	37,078,478	13,291,563

	Three Months Ended March 31,	
	2021	2020
Other comprehensive loss:		
Net loss	$ (10,701)	$ (15,266)
Net unrealized gain on investments held	—	28
Comprehensive loss	$ (10,701)	$ (15,238)

See accompanying notes to these unaudited consolidated financial statements.

ENTASIS THERAPEUTICS HOLDINGS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
UNAUDITED
(in thousands, except share data)

Three Months Ended March 31, 2021	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of December 31, 2020	36,637,357	$ 37	$ 236,707	$ —	$ (184,455)	$ 52,289
Stock-based compensation expense	—	—	869	—	—	869
Exercise of warrants	672,897	1	1,799	—	—	1,800
Net loss	—	—	—	—	(10,701)	(10,701)
Balances as of March 31, 2021	37,310,254	$ 38	$ 239,375	$ —	$ (195,156)	$ 44,257

Three Months Ended March 31, 2020	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances as of December 31, 2019	13,291,563	$ 13	$ 176,103	$ —	$ (133,959)	$ 42,157
Stock-based compensation expense	—	—	785	—	—	785
Unrealized gain on investments held	—	—	—	28	—	28
Net loss	—	—	—	—	(15,266)	(15,266)
Balances as of March 31, 2020	13,291,563	$ 13	$ 176,888	$ 28	$ (149,225)	$ 27,704

See accompanying notes to these unaudited consolidated financial statements.

ENTASIS THERAPEUTICS HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(in thousands)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (10,701)	$ (15,266)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	28	37
Stock-based compensation expense	869	785
Amortization and accretion of investments	—	(27)
Changes in operating assets and liabilities:		
Grants receivable	(669)	331
Prepaid expenses	1,449	1,628
Other assets	(374)	1,032
Accounts payable	(226)	(154)
Accrued expenses and other liabilities	(475)	(1,934)
Net cash used in operating activities	(10,099)	(13,568)
Cash flows from investing activities:		
Purchases of property and equipment	(11)	—
Proceeds from maturities of short-term investments	—	15,000
Net cash (used in) provided by investing activities	(11)	15,000
Cash flows from financing activities:		
Proceeds from the exercise of warrants	1,800	—
Payments of financing costs	—	(16)
Net cash provided by (used in) financing activities	1,800	(16)
Net (decrease) increase in cash and cash equivalents	(8,310)	1,416
Cash and cash equivalents at beginning of the year	53,247	16,034
Cash and cash equivalents at end of the year	$ 44,937	$ 17,450
Supplemental disclosure of non-cash investing and financing activities:		
Deferred financing costs included in accrued expenses and current liabilities	$ —	$ 166

See accompanying notes to these unaudited consolidated financial statements.

ENTASIS THERAPEUTICS HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. Organization and Description of Business

Entasis Therapeutics Holdings Inc., or Entasis, or the Company, is an advanced, clinical-stage biopharmaceutical company focused on the discovery, development and commercialization of targeted antibacterial products that address high unmet medical needs to treat serious infections caused by multidrug-resistant pathogens. The Company has four subsidiaries: Entasis Therapeutics Limited; Entasis Therapeutics Inc.; Entasis Therapeutics Security Corporation; and Entasis Therapeutics (Ireland) Limited.

On April 12, 2020, the Company entered into a securities purchase agreement, or the First Securities Purchase Agreement, with Innoviva Inc., or Innoviva, pursuant to which the Company issued and sold to Innoviva, in a private placement, 14,000,000 newly issued shares of common stock of the Company at $2.50 per share, and warrants to purchase up to 14,000,000 shares of common stock with an exercise price per share of $2.50, resulting in an aggregate gross purchase price of approximately $35.0 million, collectively, the First Private Placement. As a result of the transaction, Innoviva acquired control of the Company, owning approximately 51.3% of the Company's common stock without giving effect to the potential exercise of its warrants.

On August 27, 2020, the Company entered into another securities purchase agreement, or the Second Securities Purchase Agreement, with the purchasers named therein, or the Investors, which included existing stockholder Innoviva. Pursuant to the Second Securities Purchase Agreement, the Company issued and sold to the Investors in a private placement (i) 8,183,878 newly issued shares of common stock of the Company at $2.675 per share, (ii) warrants to purchase an aggregate of 9,345,794 shares of common stock with an exercise price of $2.675, and (iii) pre-funded warrants, in lieu of common stock, to purchase an aggregate of 1,161,916 shares of common stock with an exercise price of $0.001 per share, resulting in aggregate gross proceeds of approximately $25.0 million, which is referred to collectively as the Second Private Placement. The closing of the Second Private Placement occurred on September 1, 2020. As a result of the transaction, Innoviva owned approximately 52.6% of the Company's common stock without giving effect to the potential exercise of its warrants.

Risks and Uncertainties

As of March 31, 2021, the Company had $44.9 million in cash and cash equivalents, and an accumulated deficit of $195.2 million. Since its inception through March 31, 2021, the Company has funded its operations primarily with proceeds from the sale of preferred stock, common stock, warrants and pre-funded warrants. The Company also has either directly received funding or financial commitments from, or has had its program activities conducted and funded by, United States government agencies, non-profit entities and the collaboration agreement with Zai Lab (Shanghai), Co., Ltd., or Zai Lab. In the absence of positive cash flows from operations, the Company is highly dependent on its ability to find additional sources of funding in the form of debt, equity financing, strategic collaborations, or partnerships. If the Company raises additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, it may be required to relinquish valuable rights to its technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable. If the Company is unable to raise additional funds through equity or debt financings when needed, it may be required to delay, limit, reduce or terminate drug development or future commercialization efforts or grant rights to a third party to develop and market product candidates. The Company's failure to raise capital as and when needed would compromise its ability to pursue its business strategy. As discussed further in Note 12, *Subsequent Events*, in May 2021 the Company entered into a securities purchase agreement with a subsidiary of Innoviva, Inc. pursuant to which the Company raised $7.5 million as part of the initial closing on May 3, 2021 and expects to receive aggregate additional gross proceeds of $12.5 million in June 2021. The Company believes its existing cash and cash equivalents, together with the $7.5 million of proceeds received from this transaction in May 2021, will enable it to fund its operating expenses and capital requirements into the second quarter of 2022.

ENTASIS THERAPEUTICS HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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As a clinical-stage company, Entasis is subject to a number of risks common to other life science companies, including, but not limited to, raising additional capital, development by its competitors of new technological innovations, risk of failure in preclinical and clinical studies, safety and efficacy of its product candidates in clinical trials, the risk of relying on external parties such as contract research organizations and contract manufacturing organizations, the regulatory approval process, market acceptance of the Company's products once approved, lack of marketing and sales history, dependence on key personnel and protection of proprietary technology. The Company's therapeutic programs are currently pre-commercial, spanning discovery through late-stage development and will require additional research and development efforts, including the completion of Phase 3 registration trials and regulatory approval, prior to commercialization of any product candidates. These efforts require significant amounts of additional capital, adequate personnel, infrastructure, and extensive compliance-reporting capabilities. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate revenue from product sales. The Company may never achieve profitability, and unless and until it does, it will continue to need to raise additional capital or obtain financing from other sources, such as strategic collaborations or partnerships.

The COVID-19 pandemic has, and will likely continue to have, a significant impact on the U.S. economy and businesses. The pandemic also has taxed healthcare systems both in the U.S. and around the world, resulting in disruption to or temporary suspension of certain clinical trials. The nature, extent and duration of the COVID-19 pandemic remains uncertain. Although vaccines are now being administered around the world, the time needed for businesses and healthcare systems to recover from the disruptions caused, and changes needed by businesses to adopt new working conditions remains unknown. The full impact of the pandemic on the economy, including the capital markets, remains uncertain. The prolonged adverse economic conditions could limit the Company's access to financial resources from the capital markets and other sources. It is not possible to predict the full impact of the COVID-19 pandemic on the Company's business and access to capital in the future. Although the Company has continued to enroll patients in the SUL-DUR phase 3 registration trial, or ATTACK trial, some clinical sites in high COVID-19 impact areas continue to experience disruptions in new patient enrollment due to redirection of resources as dictated by local conditions. Furthermore, from March 2020 to June 2020, Global Antibiotic Research and Development Partnership, or GARDP, with the Company's full agreement, had temporarily paused patient enrollment into the zoliflodacin Phase 3 registration trial at U.S. sites and activation of new clinical trial sites in ex-U.S. regions. Although the trial resumed enrollment and site activation activities in July 2020, further disruptions may occur in the future if there are continued resurgences of the pandemic.

2. Summary of Significant Accounting Policies

Significant Accounting Policies

The Company's significant accounting policies are disclosed in the audited consolidated financial statements for the year ended December 31, 2020 and the notes thereto, which are included in the Company's most recent Annual Report on Form 10-K. Since the date of those consolidated financial statements, there have been no material changes to its significant accounting policies.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. The December 31, 2020 consolidated balance sheet was derived from audited consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, which are contained in the Company's Annual Report on Form 10-K for the

ENTASIS THERAPEUTICS HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

year ended December 31, 2020, filed with the Securities and Exchange Commission, or SEC, on March 23, 2021. The interim consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements and, in the opinion of management, reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations.

The accompanying consolidated financial statements include the Company's accounts and those of the Company's wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or any other future year or period.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, the recognition of revenue and the recognition of certain development costs. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from the Company's estimates.

Recently Adopted Accounting Pronouncements

Effective January 1, 2021, the Company adopted the provisions of FASB ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes. The adoption of the new guidance did not affect the Company's consolidated financial statements.

3. Fair Value of Financial Instruments

The following tables set forth the Company's assets that were accounted for at fair value on a recurring basis:

	March 31, 2021			
	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents:				
Money market funds	$ 44,128	$ —	$ —	$ 44,128
Total	$ 44,128	$ —	$ —	$ 44,128

	December 31, 2020			
	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents:				
Money market funds	$ 49,125	$ —	$ —	$ 49,125
Total	$ 49,125	$ —	$ —	$ 49,125

ENTASIS THERAPEUTICS HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

The Company classifies its money market funds and U.S. Treasury securities as Level 1 assets under the fair value hierarchy, as these assets have been valued using quoted market prices in active markets without any valuation adjustment.

The carrying amounts of the Company's cash equivalents, grants receivable, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these amounts.

4. Leases

During the three months ended March 31, 2021 and 2020, the Company recorded lease expense of $0.2 million. See Note 11, *Related Party Transactions*, to these notes to consolidated financial statements for additional information.

In calculating the present value of future lease payments, the Company utilized its incremental borrowing rate based on the remaining lease term at the date of adoption. One lease contains a renewal option that can extend the lease for three years. Because the Company is not reasonably certain to exercise this renewal option, the option is not considered in determining the lease term, and associated potential additional payments are excluded from lease payments. The Company elected to account for each lease component and its associated non-lease components as a single lease component and has allocated all of the contract consideration across lease components only. The Company has existing net leases in which the non-lease components (e.g., common area maintenance) are paid separately from rent based on actual costs incurred and therefore are not included in the operating lease right-of-use assets and lease liabilities and are reflected as an expense in the period incurred.

The following table summarizes the presentation of the Company's operating leases in its consolidated balance sheets (in thousands):

	As of March 31, 2021	As of December 31, 2020
Assets		
Operating lease right-of-use assets	$ 1,012	$ 1,141
Liabilities		
Operating lease liabilities, current	$ 638	$ 617
Operating lease liabilities, net of current portion	535	704
Total operating lease liabilities	$ 1,173	$ 1,321

Future minimum lease payments under non-cancelable leases were as detailed below (in thousands):

Fiscal Year	As of March 31, 2021
2021 (remaining 9 months)	$ 537
2022	737
2023	1
Total undiscounted lease payments	1,275
Less: imputed interest	(102)
Total operating lease liabilities	$ 1,173

As of March 31, 2021, the weighted average remaining lease term was 1.8 years and the weighted-average incremental borrowing rate used to determine the operating lease right-of-use assets was 9.1%.

ENTASIS THERAPEUTICS HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	As of March 31, 2021	As of December 31, 2020
Accrued compensation and benefits	$ 1,483	$ 2,935
Accrued contract manufacturing	3,875	2,959
Accrued clinical	543	504
Accrued professional services	583	435
Accrued research	337	349
Current portion of operating lease liabilities	638	617
Other	140	106
Total accrued expenses and other current liabilities	$ 7,599	$ 7,905

6. Funding Arrangements

NIH

In June 2020, the Company entered into a contract, or NIH Contract, with the National Institute of Allergy and Infectious Diseases, or NIAID, part of the National Institutes of Health, or NIH, which was effective beginning July 1, 2020 and provides the Company with reimbursement of certain qualified expenses incurred. The initial award consists of approximately $3.0 million, with the potential to increase up to $15.5 million, and will be used to develop novel molecules from the Company's non-β-lactam inhibitor, or NBP, platform. Funding from the contract will support research towards developing molecules with expanded Gram-negative spectrum against antibiotic resistant bacterial pathogens including *E. coli*, *Acinetobacter*, *Pseudomonas* and *Klebsiella*. The contract will be accounted for in a way that is consistent with the Company's Government Contracts and Grant Agreements accounting policy. See Note 2, *Summary of Significant Accounting Policies - Government Contracts and Grant Agreements*, to the notes to consolidated financial statements in the Company's Annual Report on Form 10-K filed with the SEC on March 23, 2021 for additional information.

The Company recognized grant income in connection with the NIH contract of $0.7 million during the three months ended March 31, 2021 and no grant income during the three months ended March 31, 2020. As of March 31, 2021, the Company's receivables for unreimbursed, eligible costs incurred under the NIH contract totaled $0.8 million, including both billed and unbilled amounts.

CARB-X

In March 2017 and October 2017, the Company entered into funding arrangements with the Trustees of Boston University to utilize funds from the U.S. government through the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator, or CARB-X, program, in support of the Company's ETX0282CPDP and ETX0462 programs. The amount of specified research expenditures of the Company that could be covered is $18.5 million from April 2017 through May 2023. Through March 31, 2021, the Company has received $10.2 million in payments and recorded $11.6 million of grant income under these funding arrangements. The remaining $8.3 million that could be received is related to the Company's ETX0462 program.

The Company recognized grant income in connection with the CARB-X agreements of $1.3 million and $13,000 during the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021 and December 31, 2020, the Company's receivables for unreimbursed, eligible costs incurred under the CARB-X agreements totaled $1.7 million and $1.1 million, respectively, including both billed and unbilled amounts.

ENTASIS THERAPEUTICS HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

7. License and Collaboration Agreements

GARDP

In July 2017, the Company entered into a collaboration agreement with the Global Antibiotic Research and Development Partnership, or GARDP, for the development, manufacture and commercialization of the product candidate zoliflodacin in certain countries. Under the terms of the collaboration agreement, GARDP will use commercially reasonable endeavors to perform and fully fund the Phase 3 registration trial, including the manufacture and supply of the product candidate containing zoliflodacin, in uncomplicated gonorrhea. The Phase 3 registration trial was initiated in September 2019 with activation of U.S. sites. In March 2020, in response to the COVID-19 pandemic, GARDP, with the Company's full agreement, had temporarily paused patient enrollment at U.S. sites and activation of new clinical trial sites in ex-U.S. regions. In July 2020, GARDP resumed patient enrollment into the Phase 3 registration trial at U.S. sites and activated new clinical trial sites in the Netherlands, Thailand and South Africa.

In addition, under the collaboration agreement, the Company has granted GARDP a worldwide, fully paid, exclusive and royalty-free license, with the right to sublicense, to use its zoliflodacin technology in connection with GARDP's development, manufacture and commercialization of zoliflodacin in low-income and specified middle-income countries. The Company has retained commercial rights in all other countries worldwide, including the major markets in North America, Europe and Asia-Pacific. The Company has also retained the right to use and grant licenses to its zoliflodacin technology to perform its obligations under the collaboration agreement and for any purpose other than gonorrhea or community-acquired indications. If the Company believes that the results of the Phase 3 registration trial of zoliflodacin would be supportive of an application for marketing approval, it is obligated to use its best efforts to file an application for marketing approval with the FDA within six months of the completion of the trial and to use commercially reasonable endeavors to file an application for marketing approval with the EMA. Each party is responsible for using commercially reasonable efforts to obtain marketing authorizations for the product candidate in their respective territories.

Zai Lab

In April 2018, the Company entered into a license and collaboration agreement with Zai Lab (Shanghai) Co., Ltd., or Zai Lab, pursuant to which Zai Lab licensed exclusive rights to durlobactam and sulbactam-durlobactam, or SUL-DUR, in the Asia-Pacific region, or the Zai Agreement. Under the terms of the Zai Agreement, Zai Lab will fund most of the Company's clinical trial costs in China for SUL-DUR, including all costs in China for the Company's Phase 3 registration trial of SUL-DUR, with the exception of Phase 3 patient drug supply. Zai Lab will conduct development activities and plan and obtain regulatory approval in a specified number of countries in the Asia-Pacific region beyond China after regulatory approval of a licensed product in China. Zai Lab is also solely responsible for commercializing licensed products in the Asia-Pacific region and will commercialize licensed products for which it has obtained regulatory approval. The Company is obligated to supply Zai Lab with the licensed products for clinical development, although Zai Lab may take over manufacturing responsibilities for its own commercialization activities within a specified time period following the effective date of the Zai Agreement.

The Company received an upfront, non-refundable payment of $5.0 million, milestone payments of $7.0 million, research support funding of $0.6 million and certain other reimbursable registration trial costs of $4.2 million, less applicable taxes of $2.1 million, from Zai Lab through March 31, 2021. During the three months ended March 31, 2021 and 2020, the Company recognized no revenue under the Zai Agreement. The Company is eligible to receive up to an aggregate of $91.0 million in additional research and development support payments and development, regulatory and sales milestone payments related to SUL-DUR, imipenem and other combinations with the licensed products. Zai Lab will pay the Company a tiered royalty equal from a high-single digit to low-double digit percentage based on annual net sales of licensed products in the territory, subject to specified reductions for the market entry of competing products, loss of patent coverage of licensed products and for payments owed to third parties for additional rights necessary to

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commercialize licensed products in the territory. Payments received for research support and reimbursable clinical trial costs are recorded as an offset to research and development expense during the period in which the qualifying expenses are incurred.

The Company determined the $5.0 million non-refundable upfront payment was the entire transaction price at the outset of the Zai Agreement. All other future potential milestone payments were excluded from the transaction price as they were fully constrained as the risk of significant reversal of revenue had not yet been resolved. At the outset of the Zai Agreement, the achievement of the future potential milestones was not within the Company's control and was subject to certain research and development success, regulatory approvals or commercial success and therefore carried significant uncertainty. The Company reevaluates the likelihood of achieving the future milestones at the end of each reporting period. Future development milestone revenue from the arrangement will be recognized as revenue in the period when it is no longer probable that revenue attributable to the milestone will result in a significant reversal of cumulative revenue. Payments received for research support and reimbursable clinical trial costs are recorded as an offset to research and development expense during the period in which the qualifying expenses are incurred.

The Company evaluated the Zai Agreement under Topic 606 and identified two material promises: (1) an exclusive license to develop, manufacture and commercialize products containing durlobactam or SUL-DUR in the territory and (2) the initial technology transfer of licensed know-how. The Company determined that the exclusive license and initial technology transfer were not distinct from one another, as the license has limited value without the transfer of the Company's technology and Zai Lab would incur additional costs to recreate the Company's know-how. Therefore, the license and initial technology transfer were combined as a single performance obligation

8. Stockholders' Equity and Stock-Based Compensation Expense

Second Private Placement

On August 27, 2020, the Company entered into the Second Securities Purchase Agreement with the Investors, including existing stockholder Innoviva, pursuant to which the Company issued and sold to the Investors in a private placement (i) 8,183,878 newly issued shares of common stock of the Company at $2.675 per share, (ii) warrants to purchase an aggregate of 9,345,794 shares of common stock with and exercise price of $2.675, and (iii) pre-funded warrants, in lieu of common stock, to purchase an aggregate of 1,161,916 shares of common stock, with an exercise price of $0.001 per share, resulting in aggregate gross proceeds of approximately $25.0 million. The closing of the Second Private Placement occurred on September 1, 2020.

The exercise price and the number of shares of common stock issuable upon exercise of each warrant is subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the Company's common stock. Each warrant is exercisable from the date of issuance and has a term of five years.

First Private Placement

On April 12, 2020, the Company entered into the First Securities Purchase Agreement with Innoviva, pursuant to which the Company issued and sold to Innoviva 14,000,000 newly issued shares of common stock of the Company at $2.50 per share, and warrants to purchase up to 14,000,000 shares of common stock with an exercise price per share of $2.50.

Under the First Securities Purchase Agreement, the First Private Placement occurred in two tranches. At the closing of the first tranche, which occurred on April 22, 2020, Innoviva purchased 1,322,510 shares of common stock and warrants to purchase 1,322,510 shares of common stock, for an aggregate gross purchase price of approximately $3.3 million. At the closing of the second tranche, which occurred on June 11, 2020, Innoviva purchased the remaining

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12,677,490 shares of common stock and warrants to purchase 12,677,490 shares of the common stock for an aggregate gross purchase price of approximately $31.7 million.

As a result of the closing of both the First Private Placement and the Second Private Placement, Innoviva owned approximately 52.6% of the Company's outstanding common stock without the exercise of the warrants.

Investor Rights Agreement

At the First Closing, Innoviva and the Company entered into an investors rights agreement, or the Investor Rights Agreement, which provides that for so long as Innoviva and its affiliates hold at least 15% of the outstanding shares of the Company's common stock on a fully-diluted basis, Innoviva shall have the right to designate two directors to the board of directors of the Company, or the Board; and for so long as Innoviva and its affiliates hold at least 8% of the outstanding shares of the Company's common stock on a fully-diluted basis, Innoviva shall have the right to designate one director to the Board, subject to certain qualifications and conditions in the Investor Rights Agreement. The Investor Rights Agreement also provides for participation rights for Innoviva to participate pro rata in future offerings of securities by the Company.

Warrants

As of March 31, 2021, outstanding warrants to purchase shares of the Company's common stock are as follows:

Shares Underlying Outstanding Warrants	Exercise Price	Expiration Date
1,322,510	$ 2.50	April 22, 2025
12,677,490	$ 2.50	June 11, 2025
8,672,897	$ 2.675	September 1, 2025
22,672,897		

Aspire Common Stock Purchase Agreement

In October 2019, the Company entered into a common stock purchase agreement, or CSPA, with Aspire Capital Fund, LLC, or Aspire, which provided that, upon the terms and subject to the conditions and limitations set forth therein, Aspire is committed to purchase up to an aggregate of $20.0 million of shares of the Company's common stock over the 30-month term of the CSPA. Under the CSPA, on any trading day selected by the Company on which the closing price of its common stock is equal to or greater than $0.25 per share, the Company has the right, in its sole discretion, to present Aspire with a purchase notice directing Aspire to purchase up to 50,000 shares of common stock per business day, at a purchase price equal to the lesser of the lowest sale price of common stock on the purchase date, or the arithmetic average of the three lowest closing sale prices during the 10 consecutive business days ending on the trading day immediately preceding the purchase date. The Company and Aspire also may mutually agree to increase the number of shares that may be sold to as much as 2,000,000 shares per business day.

In addition, on any date on which the Company submits a purchase notice to Aspire in an amount equal to 50,000 shares, the Company also has the right, in its sole discretion, to present Aspire with a volume-weighted average price purchase notice, or the VWAP Purchase Notice, directing Aspire to purchase an amount of stock equal to up to 30% of the aggregate shares of the Company's common stock traded on its principal market on the next trading day, or the VWAP Purchase Date, subject to a maximum number of shares the Company may determine. The purchase price per share pursuant to such VWAP Purchase Notice is generally 97% of the volume-weighted average price for the Company's common stock traded on its principal market on the VWAP Purchase Date.

Under the CSPA, the Company controls the timing and amount of any sales to Aspire, and is not limited with respect to use of proceeds or by any financial or business covenants, restrictions on future financings, rights of first

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refusal, participation rights, penalties or liquidated damages in the CSPA. The CSPA may be terminated by the Company at any time, at its discretion, without any cost to the Company. Aspire has no trading volume requirements or restrictions and has no right to require any sales by the Company but is obligated to make purchases as directed by the Company in accordance with the CSPA. Aspire has agreed that neither it nor any of its agents, representatives and affiliates shall engage in any direct or indirect short-selling or hedging of common stock during any time prior to the termination of the CSPA.

The CSPA further provides that the number of shares that may be sold pursuant to the CSPA will be limited to 2,626,165 shares, including 104,167 shares of common stock issued to Aspire as a commitment fee, which represented 19.99% of the Company's outstanding shares of common stock as of October 21, 2019, unless stockholder approval is obtained to issue more than 19.99%. This limitation will not apply under certain circumstances specified in the CSPA. We have not sold any shares to Aspire pursuant to the CSPA during the quarter ended March 31, 2021 and there is $19.7 million remaining available under the arrangement.

Stock Incentive Plans

In September 2018, the Company's board of directors adopted, and its stockholders approved the 2018 Equity Incentive Plan, or the 2018 Plan, which became effective on September 25, 2018, at which point no further grants will be made under the 2015 Stock Incentive Plan, or the 2015 Plan. In June 2020, the Board adopted, and its stockholders approved an amendment to the 2018 Plan, to increase the number of shares available for stock-based awards by 500,000. Under the 2018 Plan, the Company may grant incentive stock options, or ISOs, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based awards. As of March 31, 2021, stock options to purchase an aggregate of 3,735,759 shares had been granted, restricted stock units, or RSUs, of 904,600 had been awarded, and 1,421,657 shares were available for future issuance under the 2018 Plan, as amended. The options issued under the 2018 Plan expire after 10 years from the grant date.

At its inception, the aggregate number of shares of the Company's common stock available for issuance under the 2018 Plan was 2,350,000. The number of shares of the Company's common stock reserved for issuance under the 2018 Plan automatically increases on January 1 of each year, for a period of 10 years, from January 1, 2019 continuing through January 1, 2028, by 4% of the total number of shares of the Company's common stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares as may be determined by Board. Accordingly, on January 1, 2021 and 2020, 1,465,494 and 531,662 shares were added to the number of available shares, respectively. The maximum number of shares that may be issued pursuant to the exercise of ISOs under the 2018 Plan is 7,500,000.

The maximum number of shares of the Company's common stock subject to awards granted under the 2018 Plan or otherwise during a single calendar year to any nonemployee director, taken together with any cash fees paid by the Company to such nonemployee director during the calendar year for serving on the Board, will not exceed $500,000 in total value, or, with respect to the calendar year in which a nonemployee director is first appointed or elected to the Company's board of directors, $800,000.

As of September 25, 2018, no additional stock awards have been or will be granted under the 2015 Plan. Although the 2015 Plan was terminated as to future awards in September 2018, it continues to govern the terms of options that remain outstanding under the 2015 Plan.

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Stock Option Activity

Stock option activity under both plans during the three months ended March 31, 2021 is summarized as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2020	3,112,704	$ 5.58	7.76	$ 44
Granted	15,250	2.79		
Forfeited	(78,597)	3.29		
Outstanding as of March 31, 2021	3,049,357	$ 5.62	7.64	$ 19
Exercisable as of March 31, 2021	1,764,848	$ 5.72	7.05	$ —

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the options and the fair value of the Company's common stock for those options that had exercise prices lower than the fair value of the Company's common stock. During the three months ended March 31, 2021, the weighted-average grant date fair value per granted option was $1.95.

Restricted Stock Unit Activity

During the first quarter of 2021, the Company granted 509,500 RSUs to executives, of which 254,750 contained a performance condition. As of March 31, 2021, the performance condition was not probable of being met. Restricted stock unit activity for the three months ended March 31, 2021 is summarized as follows:

	Number of Units	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2020	395,100	$ 1.65
Granted	509,500	2.64
Forfeited	(42,900)	1.65
Outstanding as of March 31, 2021	861,700	$ 2.24

Employee Stock Purchase Plan

In September 2018, the Company's board of directors and its stockholders approved the 2018 Employee Stock Purchase Plan, or the ESPP, which became effective as of September 25, 2018. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the U.S. Internal Revenue Code of 1986, as amended. The number of shares of common stock initially reserved for issuance under the ESPP was 140,000 shares. The ESPP provides for an annual increase on the first day of each year beginning in 2019 and ending in 2028, in each case subject to the approval of the board of directors, equal to the lesser of (i) 1% of the shares of common stock outstanding on the last day of the prior fiscal year or (ii) 250,000 shares; provided, that prior to the date of any such increase, the board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii). Pursuant to the terms of the 2018 Employee Stock Purchase Plan, an additional 250,000 and 132,915 shares were added to the number of available shares effective January 1, 2021 and 2020, respectively. As of March 31, 2021, no shares of common stock had been issued under the ESPP and 654,163 shares remained available for future issuance under the ESPP. No offering period under the ESPP has been set by the Company's board of directors.

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Stock-Based Compensation

Stock-based compensation expense was classified in the consolidated statement of operations as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Research and development	$ 421	$ 349
General and administrative	448	436
Total stock-based compensation expense	$ 869	$ 785

The following table summarizes stock-based compensation by type of award (in thousands):

	Three Months Ended March 31,	
	2021	2020
Stock options	$ 665	$ 785
Restricted stock units	204	—
Total stock-based compensation expense	$ 869	$ 785

For the three months ended March 31, 2021, the restricted stock units performance obligation was not probable of being met, and as such no expense was recognized.

The following table summarizes unrecognized stock-based compensation expense as of March 31, 2021, by type of awards, and the weighted-average period over which that expense is expected to be recognized. The total unrecognized stock-based compensation expense will be adjusted for actual forfeitures as they occur.

	As of March 31, 2021	
	Unrecognized Expense (in thousands)	Weighted-average Recognition Period (in years)
Stock options	$ 4,551	2.23
Restricted stock units	$ 998	1.56

9. Net Loss per Share

Basic net loss per share is calculated by dividing net loss by the weighted average number of shares of common stock outstanding for the period, without consideration for common stock equivalents. The Company's potentially dilutive shares, which include outstanding stock options and warrants, are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The following outstanding securities have been excluded from the computation of diluted weighted average shares outstanding for the three months ended March 31, 2021 and 2020, as they would have been anti-dilutive:

	As of March 31,	
	2021	2020
Options to purchase shares of common stock	3,049,357	3,216,500
Warrants to purchase shares of common stock	22,672,897	—
Unvested restricted stock units	861,700	—
	26,583,954	3,216,500

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10. Commitments

Lease Commitments

The Company has an operating lease agreement for its office and laboratory space with AstraZeneca. See Note 4, *Leases*, to these notes to consolidated financial statements for additional information.

AstraZeneca Subscription Agreement

In connection with the Company's 2015 spin-out from AstraZeneca, the Company entered into a business transfer and subscription agreement with AstraZeneca pursuant to which the Company agreed to pay AstraZeneca a one-time milestone payment of $5.0 million within three months of achieving a specified cumulative net sales milestone for durlobactam. This milestone payment will be automatically waived should the Company's common stock trade on The Nasdaq Global Market at or above a specified price at any time prior to achieving such specified cumulative net sales milestone for durlobactam. The Company is also obligated to pay AstraZeneca a one-time milestone payment of $10.0 million within two years of achieving the first commercial sale of zoliflodacin. At the Company's election, either milestone payment may be paid in cash, common stock, or a combination of cash and common stock. Additionally, the Company is obligated to pay AstraZeneca tiered, single-digit, per-country royalties on the annual worldwide net sales of durlobactam and zoliflodacin.

11. Related Party Transactions

AstraZeneca

The Company was formed in May 2015 as a wholly owned subsidiary of AstraZeneca. Prior to the closing of the initial public offering on September 28, 2018, AstraZeneca was the sole series A preferred stockholder. Upon the closing of the initial public offering, all shares of preferred stock were converted into shares of common stock of the Company. AstraZeneca continues to maintain an ownership interest in the Company. The Company has an operating lease agreement for its office and laboratory space with AstraZeneca. See Note 4, *Leases*, to these notes to consolidated financial statements for additional information.

Pharmaron Beijing Co., Ltd. (China)

The Company contracts with Pharmaron Beijing Co., Ltd. (China), or Pharmaron, to provide various medicinal chemistry research, manufacturing development and clinical services related to the Company's ongoing product candidates. The Company began utilizing Pharmaron as a service provider prior to the spin-out in 2015 (see Note 1, *Organization and Description of Business*, to these notes to consolidated financial statements for additional information), and this relationship has continued into 2021. In 2019, the Senior Vice President of Strategic Partnerships at Pharmaron began sharing a household with the Company's Chief Executive Officer, and as a result the Company considers the agreements between the Company and Pharmaron to be related-party transactions. The Company recorded expense of $1.2 million and $0.9 million during the three months ended March 31, 2021 and 2020, respectively, for services rendered pursuant to multiple Pharmaron agreements. Amounts due to Pharmaron were $3.2 million and $2.0 million as of March 31, 2021 and December 31, 2020, respectively.

12. Subsequent Events

Securities Purchase Agreement

On May 3, 2021, the Company entered into a securities purchase agreement, or the Securities Purchase Agreement, with a subsidiary of Innoviva, Inc., or Innoviva, pursuant to which the Company agreed to issue and sell to Innoviva, in a private placement under the applicable Nasdaq Stock Market LLC, or Nasdaq, rules up to 10,000,000 newly issued shares of common stock, par value $0.001 per share, of the Company, or the Common Stock, and warrants,

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or the Common Warrants, to purchase up to 10,000,000 shares of common stock, each with an exercise price per share of $2.00, collectively the Private Placement. The Common Warrants will be exercisable immediately and will have a five-year term. Each share of Common Stock and Common Warrant, or together, the Common Unit, will be issued and sold together to Innoviva at a price per Common Unit of $2.00.

Under the Securities Purchase Agreement, the Private Placement will occur in two tranches. At the closing of the first tranche, or the First Closing, which occurred on May 3, 2021, Innoviva purchased 3,731,025 shares of the Common Stock and the Common Warrants to purchase 3,731,025 shares of common stock, for an aggregate purchase price of approximately $7.5 million. At the closing of the second tranche, or the Second Closing, subject to satisfaction of certain closing conditions, Innoviva will purchase the remaining shares of the Common Stock and Common Warrants, which is anticipated to be 6,268,975 shares of the Common Stock and the Common Warrants to purchase 6,268,975 shares of common stock for an aggregate purchase price of approximately $12.5 million.

The Company expects to receive aggregate gross proceeds from the Private Placement of $20.0 million, before deducting transaction expenses, and excluding proceeds (if any) received in connection with the exercise of any of the Common Warrants. At the effective time of the Second Closing, assuming the exercise of all of the Common Warrants, Innoviva will hold approximately 75.5% of the Company's outstanding common stock.

The Securities Purchase Agreement contains customary representations and warranties as well as certain operating covenants applicable to the Company until the Second Closing. The Second Closing is expected to occur in the second quarter of 2021, subject to the satisfaction of certain closing conditions referenced above.

Registration Rights Agreements

At the First Closing, the Company and Innoviva entered into a registration rights agreement, or the Registration Rights Agreement, pursuant to which, among other things, the Company must prepare and file with the SEC a registration statement with respect to resales of the shares of the Common Stock and the Common Warrants purchased by Innoviva under the Securities Purchase Agreement within 30 days of the First Closing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the unaudited consolidated financial information and the notes thereto included in this Quarterly Report on Form 10-Q and with our audited consolidated financial information and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on March 23, 2021, or the Annual Report on Form 10-K. In addition, you should read the "Risk Factors" and "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are an advanced, clinical-stage biopharmaceutical company focused on the discovery, development and commercialization of targeted antibacterial products that address high unmet medical needs to treat serious infections caused by multidrug-resistant pathogens.

Our lead product candidate, SUL-DUR, is an intravenous, or IV, combination of sulbactam, an IV β-lactam antibiotic, and durlobactam, a novel broad-spectrum IV β-lactamase inhibitor, or BLI, that we are developing for the treatment of pneumonia and bloodstream infections caused by carbapenem-resistant *Acinetobacter baumannii*, or *Acinetobacter*. Based on current carbapenem resistance rates, we estimate there are in excess of 200,000 hospital-treated carbapenem-resistant *Acinetobacter* infections annually across the United States, Europe, the Middle East and China for which significant morbidity and mortality exists due to limited treatment options. We initiated ATTACK (Acinetobacter Treatment Trial Against Colistin), our single Phase 3 registration trial in April 2019 with top-line data readout expected in the second half of 2021. ATTACK is a global, multi-center trial that will evaluate approximately 120 patients with confirmed carbapenem-resistant *Acinetobacter* hospital-acquired pneumonia, ventilator-acquired pneumonia, ventilated pneumonia or bloodstream infections, or a combination of these. To complete the registration trial will require an enrollment of up to 170 patients with *Acinetobacter* infections to achieve the 120 evaluable carbapenem-resistant patients. As of May 1, 2021, we have enrolled 167 patients with *Acinetobacter* infections and 108 meet the criteria for inclusion in the primary efficacy arm with 16 enrolled patients pending confirmation. We believe that the data from the ATTACK trial, data from our other clinical trials of SUL-DUR and non-clinical data will be sufficient to submit an NDA to the FDA.

Our second late-stage product candidate, zoliflodacin, is a novel orally administered molecule being developed for the treatment of uncomplicated gonorrhea. The bacterial pathogen responsible for gonorrhea is *Neisseria- gonorrhoeae*, including multidrug-resistant strains. Intramuscular injection of ceftriaxone now represents the only U.S. Centers for Disease Control and Prevention, or CDC, recommended treatment option for the estimated 1.6 million annual cases of gonorrhea in the United States. We believe there is a growing unmet need for a single-dose oral antibiotic that will reliably treat patients with gonorrhea, including infections caused by multidrug-resistant strains of *N. gonorrhoeae*, which are emerging globally. The Phase 3 registration trial, initiated in September 2019, is a multi-center, open-label, noninferiority trial in approximately 1,000 enrolled patients with uncomplicated gonorrhea. Our nonprofit collaborator, GARDP, is the sponsor of the registration trial and is responsible for all trial expenses. Due to the unique challenges posed by the COVID-19 pandemic to this global clinical trial, we remain unable to provide guidance around the timeline for completion of this Phase 3 registration trial. We continue to actively assess the impact of the pandemic on the trial, in consultation with GARDP, and will update when appropriate. To date, there has been no impact to the status of our other product candidates as a result of the COVID-19 pandemic. We believe data from the Phase 3 registration trial, along with data from our other clinical trials of zoliflodacin and non-clinical data will be sufficient for submitting an NDA to the FDA.

We are also developing ETX0282CPDP for the treatment of complicated urinary tract infections, or cUTIs, including those caused by multidrug-resistant *Enterobacteriaceae*. ETX0282CPDP is an oral combination of ETX0282 with cefpodoxime proxetil. We believe there is a significant unmet need for new oral antibiotics to reliably treat the estimated 3 to 4 million patients diagnosed annually with cUTIs. We have reported preliminary Phase 1 trial results, and subsequently demonstrated that an extended release tablet formulation achieved preclinical proof-of-concept of the

desired pharmacokinetic profile both in vitro and in non-human primates. Having successfully completed the initial Phase 1 studies and preclinical work to deliver a formulation with the desired extended release profile, we are currently prioritizing our resources on completing the ATTACK trial and supporting the ongoing Phase 3 registration trial for zoliflodacin, while we evaluate options for further clinical development of ETX0282CPDP.

Lastly, we are advancing development of a novel class of antibiotics, non-β-lactam inhibitors of penicillin binding proteins, or NBPs. We believe NBPs constitute a potential new class of Gram-negative antibacterial agents that are designed to target a broad spectrum of multidrug resistant bacterial pathogens that overcome the main source of β-lactam resistance which is driven by β-lactamase activity. This novel class of agents is designed to potentially target a broad spectrum of multidrug resistant bacterial pathogens that are part of the CDC/World Health Organization, or WHO, list of high unmet medical need of ESKAPE pathogens. We selected ETX0462 as the initial clinical candidate for this program, based on demonstrated activity against *Pseudomonas* and a number of high-priority biothreat pathogens combined with a strong preclinical safety profile and attractive physiochemical properties. We are currently working to complete the required pre-clinical activities by early 2022 to enable the program to advance into a Phase 1 clinical trial. In June 2020, we were awarded a contract from the National Institute of Health to support research towards developing additional NBP molecules with expanded Gram-negative spectrum from this novel class. This research program, designated NBP2, is attempting to target *Klebsiella*, *Pseudomonas* and *E. coli* from the ESKAPE list of pathogens. Subject to achieving pre-defined milestones, the contract is expected to sufficiently fund activities to achieve submission of an Investigational New Drug, or IND, application to the FDA.

Since our inception in May 2015, we have devoted substantially all of our resources to organizing and staffing our company, business planning, raising capital, discovering product candidates and securing related intellectual property rights, conducting discovery and development activities for our programs and planning for potential commercialization. We do not have any products approved for sale and have not generated any revenue from product sales. As of March 31, 2021, we have funded our operations primarily with net cash proceeds of $104.2 million from the sale of our preferred stock, net cash proceeds of $65.6 million from the sale of common stock in our initial public offering, and net cash proceeds of $57.9 million from the sale of common stock, warrants and pre-funded warrants in private placements to certain investors in 2020 and the first quarter of 2021. We have also either directly received funding or financial commitments from, or have had our program activities conducted and funded by, the U.S. government through our arrangements with NIAID, CARB-X, and the U.S. Department of Defense, or DOD, and we have received non-profit awards from GARDP and upfront and milestone payments from our license and collaboration agreement with Zai Lab.

Funding Arrangements

NIH

In June 2020, we entered into a contract with NIAID, part of the NIH, with an effective date of July 1, 2020. The contract consists of an initial award of approximately $3.0 million, with the potential to increase up to $15.5 million, that will be used to develop novel molecules from our NBP platform. Funding from the contract will support research towards developing molecules with expanded Gram-negative spectrum against antibiotic-resistant bacterial pathogens including *E. coli*, *Acinetobacter*, *Pseudomonas* and *Klebsiella*. Through March 31, 2021, we had received $1.2 million in payments and we have recorded $2.0 million of grant income under this funding arrangement.

CARB-X

In March 2017 and October 2017, we entered into funding arrangements with the Trustees of Boston University to utilize funds from the U.S. government, through the CARB-X program, for support of our ETX0282CPDP and ETX0462 programs. These funding arrangements could cover up to $18.5 million of our specified research expenditures from April 2017 through May 2023. Through March 31, 2021, we had received $10.2 million in payments and we have recorded $11.6 million of grant income under these funding arrangements. The remaining $8.3 million that could be received is related to our ETX0462 program.

License and Collaboration Agreements

GARDP

In July 2017, we entered into a collaboration agreement with GARDP for the development and commercialization of a product candidate containing zoliflodacin in certain countries. Under the terms of the collaboration agreement, GARDP will fully fund the ongoing Phase 3 registration trial, including the manufacture and supply of the product candidate containing zoliflodacin, in uncomplicated gonorrhea.

Zai Lab

In April 2018, we entered into a license and collaboration agreement with Zai Lab pursuant to which Zai Lab licensed exclusive rights to durlobactam and SUL-DUR in the Asia-Pacific region. Under the terms of the agreement, Zai Lab will fund most of our registration trial costs in China for SUL-DUR, including all costs in China for our Phase 3 registration trial of SUL-DUR, with the exception of Phase 3 patient drug supply of licensed product. As of March 31, 2021, we have received net payments of $14.7 million, representing the $5.0 million upfront payment, $7.0 million of milestone payments, $0.6 million of research support payments and $4.2 million of certain other reimbursable registration trial costs, less applicable taxes of $2.1 million, from Zai Lab and we have recognized revenue of $12.0 million under this agreement.

Components of Results of Operations

Revenue

All of our revenue has been derived from our license and collaboration arrangement with Zai Lab. To date, we have not generated any revenue from product sales, and we do not expect to generate any revenue from the sale of products in the near future. If our development efforts for our product candidates and preclinical program are successful and result in regulatory approval, we may generate revenue in the future from product sales.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our product discovery efforts and the development of our preclinical and clinical product candidates. These expenses include:

- employee-related expenses, including salaries and benefits, bonus and stock-based compensation expense for employees engaged in research and development functions;
- fees paid to consultants for services directly related to our product development and regulatory efforts;
- expenses incurred under agreements with contract research organizations, or CROs, as well as contract manufacturing organizations, or CMOs, and consultants that conduct and provide supplies for our preclinical studies and clinical trials;
- costs associated with preclinical activities and development activities;
- costs associated with our technology and our intellectual property portfolio;
- costs related to compliance with regulatory requirements; and

- facilities-related expenses, which include allocated rent and maintenance of facilities and other operating costs.

Costs associated with research and development activities are expensed as incurred. Costs for certain development activities, such as clinical trials, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations or other information provided to us by our vendors. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered.

Our direct research and development expenses are tracked on a program-by-program basis for our product candidates and preclinical program and consist primarily of external costs, such as fees paid to outside consultants, CROs, CMOs and central laboratories in connection with our preclinical development, process development, manufacturing and clinical development activities. Our direct research and development expenses by program also include fees incurred under service, license or option agreements. We do not allocate employee costs or facility expenses to specific programs because these costs are deployed across multiple programs and, accordingly, are not separately classified. We primarily use internal resources and our own employees for managing our preclinical development, process development, manufacturing and clinical development activities.

To date, substantially all of our research and development expenses have been related to the preclinical and clinical development of our product candidates and preclinical program. The following table shows our research and development expenses by development program and type of activity:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Direct research and development expenses by program:		
SUL-DUR	$ 4,030	$ 7,409
Zoliflodacin	—	10
ETX0282CPDP	60	100
ETX0462	1,192	149
Other preclinical programs	216	110
Unallocated research and development expenses:		
Personnel related (including stock-based compensation)	3,337	3,230
Facilities, supplies and other	535	615
Total research and development expenses	$ 9,370	$ 11,623

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. It is difficult to determine with certainty the duration and completion costs of our current or future preclinical programs and clinical trials of our product candidates, or if, when or to what extent we will generate revenues from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our product candidates.

The duration, costs and timing of clinical trials and development of our product candidates and preclinical program will depend on a variety of factors that include, but are not limited to, the following:

- the impact of COVID-19 on hospitals participating in the trials and their ability to focus on and direct resources to our trials;

- the number of trials required for approval and any requirement for extension trials;

- per-patient trial costs;
- the number of patients that participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profiles of the product candidates.

Any changes in the outcome of any of these factors with respect to the development of our product candidates could mean a significant change in the costs and timing associated with the development of these product candidates. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing and supply, and commercial viability. We will determine which programs to pursue and how much to fund each program based on the scientific and clinical success of each product candidate, as well as an assessment of each candidate's commercial potential.

General and Administrative Expenses

General and administrative expenses consist of salaries and benefits and stock-based compensation expense for personnel in executive, finance and administrative functions. General and administrative costs also include facilities-related costs not otherwise included in research and development expenses as well as professional fees for legal, patent, consulting, accounting, insurance and audit services.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research, development and commercialization activities of our product candidates. Additionally, if and when we believe a regulatory approval of a product candidate appears likely, we anticipate an increase in payroll and other employee-related expenses as a result of our preparation for commercial operations, especially as it relates to the sales and marketing functions for that product candidate.

Other Income

Grant Income

Grant income consists of income recognized in connection with grants we received under our funding arrangements with the Trustees of Boston University through the CARB-X program, as well as amounts received under the NIH Contract. Grant income is recognized in the period during which the related specified expenses are incurred.

Interest Income

Interest income consists of interest earned on our cash and investment balances.

Results of Operations

Comparison of the Three Months Ended March 31, 2021 and 2020

The following table summarizes our results of operations for the periods presented:

	Three Months Ended March 31, 2021	2020	$ Change
		(in thousands)	
Operating expenses:			
Research and development	$ 9,370	$ 11,623	$ (2,253)
General and administrative	3,307	3,780	(473)
Total operating expenses	12,677	15,403	(2,726)
Loss from operations	(12,677)	(15,403)	2,726
Other income:			
Grant income	1,972	13	1,959
Interest income	4	124	(120)
Total other income	1,976	137	1,839
Net loss	$ (10,701)	$ (15,266)	$ 4,565

Research and Development Expenses

Research and development expenses were $9.4 million during the three months ended March 31, 2021, compared to $11.6 million during the three months ended March 31, 2020. The decrease of $2.3 million was primarily due to a decrease of $3.4 million in expenses related to our SUL-DUR product candidate, partially offset by increases of $1.0 million in expenses related to our ETX0462 product candidate and $0.1 million in expenses related to our preclinical program. The decrease of $3.4 million in expenses related to our SUL-DUR product candidate was primarily due to decreases of $1.7 million in clinical trial costs, $1.2 million in manufacturing costs, $0.3 million in spending related to commercial readiness and $0.2 million in NDA support. The increase of $1.0 million in expenses related to our ETX0462 product candidate was due to increases of $0.9 million in manufacturing costs and $0.1 million in preclinical expenses.

General and Administrative Expenses

General and administrative expenses were $3.3 million during the three months ended March 31, 2021, compared to $3.8 million during the three months ended March 31, 2020. The decrease of $0.5 million was driven primarily by decreases of $0.4 million in professional services expenses and $0.2 million in personnel related expenses, partially offset by an increase of $0.1 million in insurance related costs.

Other Income

Other income was $2.0 million during the three months ended March 31, 2021, compared to $0.1 million during the three months ended March 31, 2020. The increase of $1.8 million was due to an increase of $1.9 million in grant income associated with our agreements with CARB-X and NIH, offset by a decrease of $0.1 million in interest income.

Liquidity and Capital Resources

Overview

As of March 31, 2021, we had cash and cash equivalents of $44.9 million. We have funded our operations to date with the proceeds from equity securities offerings, which we have used to fund our operations. In addition, we also have received funding or financial commitments from, or have had our program activities conducted and funded by, the U.S. government through arrangements with NIAID, CARB-X, NIH and the U.S. Department of Defense, and have received non-profit awards from GARDP and upfront and milestone payments from Zai Lab.

We have incurred operating losses and experienced negative operating cash flows since our inception and anticipate that we will continue to incur losses for at least the next several years. Our net loss was $10.7 million for the three months ended March 31, 2021. As of March 31, 2021, we had an accumulated deficit of $195.2 million.

We believe that our existing cash and cash equivalents, will enable us to fund our operating expenses and capital requirements through at least one year from the date of this filing. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect.

Funding Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party clinical research and development services, laboratory and related supplies, manufacturing development costs, legal and other regulatory expenses and general administrative costs.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the clinical development of our product candidates and obtain regulatory approvals. We are also unable to predict when, if ever, net cash inflows will commence from product sales. This is due to the numerous risks and uncertainties associated with developing drugs, including, among others, the uncertainty of:

- the unpredictable duration and economic impact of the COVID-19 pandemic;
- successful enrollment in, and completion of clinical trials;
- performing preclinical studies and clinical trials in compliance with the FDA, the European Medicines Agency, or EMA, or any comparable regulatory authority requirements;
- the ability of collaborators to manufacture sufficient quantity of product for development, clinical trials or potential commercialization;
- obtaining marketing approvals with labeling for sufficiently broad patient populations and indications, without unduly restrictive distribution limitations or safety warnings, such as black box warnings or a risk evaluation and mitigation strategies program;
- obtaining and maintaining patent, trademark and trade secret protection and regulatory exclusivity for our product candidates;
- making arrangements with third parties for manufacturing capabilities;
- launching commercial sales of products, if and when approved, whether alone or in collaboration with others;
- acceptance of the therapies, if and when approved, by physicians, patients and third-party payors;
- competing effectively with other therapies;
- obtaining and maintaining healthcare coverage and adequate reimbursement;
- protecting our rights in our intellectual property portfolio; and
- maintaining a continued acceptable safety profile of our drugs following approval.

A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs and timing associated with the development of that product candidate.

We will not generate revenue from product sales unless and until we or a collaborator successfully complete clinical development and obtain regulatory approval for our current and future product candidates. If we obtain regulatory approval for any of our product candidates that we intend to commercialize on our own, we will incur significant expenses related to commercialization, including developing our internal commercialization capability to support product sales, marketing and distribution.

As a result, we will need substantial additional funding to support our continuing operations and to pursue our growth strategy. Until such time, if ever, when we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings and potential collaboration, license and development agreements. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may be required to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our drug development or future commercialization efforts or grant rights to a third party to develop and market product candidates that we would otherwise prefer to develop and market ourselves. Our failure to raise capital as and when needed would compromise our ability to pursue our business strategy.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

Aspire Common Stock Purchase Agreement

In October 2019, we entered into a common stock purchase agreement, or CSPA, with Aspire Capital Fund, LLC, or Aspire, which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire is committed to purchase up to an aggregate of $20.0 million of shares of our common stock over the 30-month term of the CSPA. Under the CSPA, on any trading day selected by us on which the closing price of our common stock is equal to or greater than $0.25 per share, we have the right, in our sole discretion, to present Aspire with a purchase notice directing Aspire to purchase up to 50,000 shares of our common stock per business day, at a purchase price equal to the lesser of the lowest sale price of common stock on the purchase date, or the arithmetic average of the three lowest closing sale prices during the 10 consecutive business days ending on the trading day immediately preceding the purchase date. We and Aspire also may mutually agree to increase the number of shares that may be sold to as much as 2,000,000 shares per business day.

We control the timing and amount of any sales to Aspire, and we are not limited with respect to use of proceeds or by any financial or business covenants, restrictions on future financings, rights of first refusal, participation rights, penalties or liquidated damages in the CSPA. The CSPA further provides that the number of shares that may be sold pursuant to the CSPA will be limited to 2,626,165 shares, which represented 19.99% of our outstanding shares of common stock as of October 21, 2019, unless stockholder approval is obtained to issue more than 19.99%. To date, we have not sold any shares to Aspire pursuant to the CSPA.

Innoviva, Inc. Securities Purchase Agreement

On May 3, 2021, we entered into a securities purchase agreement, or the Securities Purchase Agreement, with a subsidiary of Innoviva, Inc., or Innoviva, pursuant to which we agreed to issue and sell to Innoviva, in a private

placement under the applicable Nasdaq Stock Market LLC, or Nasdaq, rules up to 10,000,000 newly issued shares of common stock, par value $0.001 per share, or the Common Stock, and warrants, or the Common Warrants, to purchase up to 10,000,000 shares of common stock, each with an exercise price per share of $2.00, collectively the Private Placement. The Common Warrants will be exercisable immediately and will have a five-year term. Each share of Common Stock and Common Warrant, or together, the Common Unit, will be issued and sold together to Innoviva at a price per Common Unit of $2.00.

Under the Securities Purchase Agreement, the Private Placement will occur in two tranches. At the closing of the first tranche, or the First Closing, which occurred on May 3, 2021, Innoviva purchased 3,731,025 shares of the Common Stock and the Common Warrants to purchase 3,731,025 shares of common stock, for an aggregate purchase price of approximately $7.5 million. At the closing of the second tranche, or the Second Closing, subject to satisfaction of certain closing conditions, Innoviva will purchase the remaining shares of the Common Stock and Common Warrants, which is anticipated to be 6,268,975 shares of the Common Stock and the Common Warrants to purchase 6,268,975 shares of common stock for an aggregate purchase price of approximately $12.5 million.

We expect to receive aggregate gross proceeds from the Private Placement of $20.0 million, before deducting transaction expenses, and excluding proceeds (if any) received in connection with the exercise of any of the Common Warrants. At the effective time of the Second Closing, assuming the exercise of all of the Common Warrants, Innoviva will hold approximately 75.5% of our outstanding common stock.

The Securities Purchase Agreement contains customary representations and warranties as well as certain operating covenants applicable to Entasis until the Second Closing. The Second Closing is expected to occur in the second quarter of 2021, subject to the satisfaction of certain closing conditions referenced above.

Registration Rights Agreements

At the First Closing, the Company and Innoviva entered into a registration rights agreement, or the Registration Rights Agreement, pursuant to which, among other things, the Company must prepare and file with the SEC a registration statement with respect to resales of the shares of the Common Stock and the Common Warrants purchased by Innoviva under the Securities Purchase Agreement within 30 days of the First Closing.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Three Months Ended March 31,	
	2021	2020
Net cash used in operating activities	$ (10,099)	$ (13,568)
Net cash (used in) provided by investing activities	(11)	15,000
Net cash provided by (used in) financing activities	1,800	(16)
Net (decrease) increase in cash and cash equivalents	$ (8,310)	$ 1,416

Operating Activities

During the three months ended March 31, 2021, operating activities used $10.1 million of cash, resulting from our net loss of $10.7 million and net cash used by changes in operating assets and liabilities of $0.3 million, offset by non-cash charges of $0.9 million. Net cash used by changes in operating assets and liabilities for the three months ended March 31, 2021 consisted primarily of a $0.7 million increase in grants receivable, a $0.5 million decrease in accrued expenses and other liabilities, a $0.4 million increase in other assets and a $0.2 million decrease in accounts payable. These uses were partially offset by a $1.4 million decrease in prepaid expenses.

During the three months ended March 31, 2020, operating activities used $13.6 million of cash, resulting from our net loss of $15.3 million offset by non-cash charges of $0.8 million and net cash provided by changes in operating

assets and liabilities of $0.9 million. Net cash provided by changes in operating assets and liabilities for the three months ended March 31, 2020 consisted primarily of a $1.6 million decrease in prepaid expenses, a $1.0 million decrease in other assets and a $0.3 million decrease in grants receivable. These provisions of cash were partially offset by a $1.9 million decrease in accrued expenses and other liabilities and a $0.2 million decrease in accounts payable.

Investing Activities

During the three months ended March 31, 2021, net cash used in investing activities was $11,000, consisting of purchases of property, plant, and equipment.

During the three months ended March 31, 2020, net cash provided by investing activities was $15.0 million, consisting of net proceeds from maturities of short-term investments.

Financing Activities

During the three months ended March 31, 2021, net cash provided by financing activities was $1.8 million, which consisted of proceeds from the exercise of warrants.

During the three months ended March 31, 2020, net cash used by financing activities was $16,000, which consisted of payments of financing costs.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Critical Accounting Policies, Recent Accounting Pronouncements and Significant Judgments and Estimates

There have been no significant changes to our critical accounting policies from those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” disclosed in our most recent Annual Report on Form 10-K.

Refer to Note 2, *Summary of Significant Accounting Policies*, in the accompanying notes to our unaudited consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide disclosure for this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have an adverse effect on our business, operating results or financial condition.

Item 1A. Risk Factors.

There have been no material changes in risk factors discussed in Part I, Item 1A. Risk Factors in our most recent Annual Report filed on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38670), filed with the SEC on September 28, 2018).
3.1.1	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38670), filed with the SEC on June 11, 2020).
3.2	Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-38670), filed with the SEC on September 28, 2018).
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020 formatted in inline XBRL (included in Exhibit 101).

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENTASIS THERAPEUTICS HOLDINGS INC.

Date: May 5, 2021

By: /s/ Manoussos Perros, Ph.D.
Manoussos Perros, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2021

By: /s/ Michael Gutch, Ph.D.
Michael Gutch, Ph.D.
Chief Financial Officer and Chief Business Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Manoussos Perros, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Entasis Therapeutics Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

By: /s/ Manoussos Perros, Ph.D.
Manoussos Perros, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Gutch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Entasis Therapeutics Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

By: /s/ Michael Gutch, Ph.D.
Michael Gutch, Ph.D.
Chief Financial Officer and Chief Business Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Manoussos Perros, President and Chief Executive Officer of Entasis Therapeutics Holdings Inc. (the "Company"), and Michael Gutch, Chief Financial Officer and Chief Business Officer of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2021

/s/ Manoussos Perros, Ph.D.	/s/ Michael Gutch, Ph.D.
Manoussos Perros, Ph.D. President and Chief Executive Officer (Principal Executive Officer)	Michael Gutch, Ph.D. Chief Financial Officer and Chief Business Officer (Principal Financial Officer)